PROBLEMS IN MARKETING WOODY ORNAMENTALS THROUGH MASS MARKET OUTLETS

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Abstract
A survey of mass market merchandisers—i.e., grocery chains and department stores—selling woody ornamental nursery products in the South showed that procurement practices varied widely. Authority in some firms was centered at the regional or national level while in others it was decentralized at the local store level.

Half of the nursery product sales in department stores consisted of broadleaf evergreens. Deciduous shrubs made up the largest seller in food stores. Department store chains indicated a definite preference for woody ornamentals in cans or containers. Food chains noted a preference for prepackaged items. Sales increases, on the average, of 25 to 35 percent during the next five years were expected by the firms which supplied data.

Most concerns interviewed provide guidelines to their employees in the care of stock on the sales lot or floor. Nevertheless, the executives interviewed stated that they lacked the trained personnel to care for and merchandise woody plants in their sales areas. Many firms desire to have personnel in their regional and national offices who are well trained in the characteristics of woody ornamental plants.

Introduction
A large expansion in the market for woody ornamentals and other nursery products has occurred during the past ten years. Five years ago, in 1965, the 1,300 commercial wholesale nurseries estimated to be operating in the Southern Region used more than 46,000 acres of land in producing nursery stock and had sales of more than $52 million (1). The woody ornamental nursery industry, along with other phases of floriculture and ornamental horticulture, is one of the most specialized and intensive aspects of agriculture.

Retail nursery business operators were studied as a phase of the recently completed Southern Regional Project (SM-33) on Marketing Woody Ornamental Nursery Products (2). However, no overall estimates were generated with respect to the total sales of the three classifications of retail nursery organizations: (1) sales yards, (2) landscape nursery firms and (3) garden centers.

The study of marketing nursery products by mass market firms reported here was also undertaken as a phase of the SM-33 project because the general operational characteristics and nursery product requirements of mass market merchandisers were believed to differ from those of traditional retail outlets for woody ornamentals. In addition, no information relating to the methods used by mass market firms in obtaining woody ornamentals for resale, the sales policies of such firms and the general importance of mass market outlets for woody ornamental plants was available.

This paper will be concerned with the types of mass market firms contacted, the purchase patterns of firms selling woody ornamental plants, the product composition of sales, merchandising practices and a consideration of other problems involved in marketing woody ornamental plants by mass market firms.

Procedure
A list of 121 mass market firms believed to handle woody ornamentals was developed by the
Economic Research Service of the U. S. Department of Agriculture and the Agricultural Experiment Stations participating in the SM-33 Regional Project. A preliminary survey showed that most of these firms either handled no woody ornamentals or else marketed them in very limited amounts. Only 13 of the 54 firms which responded reported nursery product sales in excess of $100,000. Of this group, only 10 cooperated in the survey reported here.

Most of the organizations contacted provided only partial and limited information about their marketing practices for woody ornamental plants. Hence the data reported in this paper must be considered to be qualitative in nature. However, the findings reported serve to shed additional light on the practices and problems of department stores and grocery stores which handle woody ornamental nursery products.

The data reported in this paper are based on personal interviews with executives of ten large mass market merchandising firms which sell woody plants. Two of these firms were in Florida; most of the remainder were in other southern states. Several of the interviews were with personnel in the national offices of certain department, mail order, variety and other merchandisers which market woody ornamental products.

Types of Mass Market Firms

Food and department store chains were the two major groups of firms contacted in the study reported here. Interviews were conducted with executives who supervised sales of nursery products in the offices of three national and three regional department store chains, and two regional and two national food chains. All operated in one or more states of the Southern Region. In general, department stores handle their sales of woody ornamental products through separate "garden shop" departments. The food chains contacted all sold woody ornamental products through their produce departments.

The sales of woody ornamental nursery products in mass market stores were reported to have increased at an average rate of 4 to 5 percent a year in the past five years in the outlets contacted. However, business concerns which began handling woody ornamental plants within the last five years stated that they had sustained a more rapid rate of increase. Most firms expect annual increases of 5 to 7 percent over the next five years. The newer firms which entered the mass market industry recently anticipate larger increases than those firms which have been in the market for relatively longer periods of time.

Purchase Practices

A great deal of variation exists in purchase practices among mass merchandisers of woody ornamental plants. A portion of the firms contacted had purchasing authority centralized in national headquarters' offices. In others purchasing authority was designated as a function of their regional offices. In still others the decisions with respect to handling and purchasing woody ornamentals were at the option of local personnel, mainly store or department managers.

The data with respect to numbers of suppliers patronized by mass merchandisers and the acquisition of their supplies leave a great deal to be desired. The mass market firms contacted reported that they currently purchased from an average of eight suppliers in comparison with an average of seven five years ago. It is likely there is no statistical difference in the two sets of data. Nevertheless, the number of suppliers reported varied from 3 to 20 in 1967 and from 4 to 12 five years earlier.

Nearly all cooperating mass merchandisers reported that the vast majority of their individual purchases was from three major suppliers. This percentage in each case was higher than 60 percent. In a small number of cases mass merchandisers stated that 90 to 100 percent of the nursery stock purchased was acquired from three major suppliers.

Locating suppliers who could meet their demands at specific times of the year was reported as the chief purchasing problem encountered by mass merchandisers. Many mass market firms prefer not to rely on a single major source supplier. This is especially true if the mass market chain or store is the major sales outlet for the supplier. Such mass market firms fear that possible crop failure may leave them without an adequate source of supply, especially for short periods of time, if too much reliance is placed on a single wholesale nursery supplier.

Product Composition of Sales

Approximately half of the nursery product sales of department stores consisted of broadleaf evergreens (Table 1). The remainder were about
Table 1.--Distribution of woody ornamental nursery product sales by types of woody ornamental, 10 mass marketers, 1967

<table>
<thead>
<tr>
<th>Type outlet</th>
<th>Broadleaf evergreens</th>
<th>Narrowleaf evergreens</th>
<th>Deciduous shrubs</th>
<th>Shade and ornamental trees</th>
<th>Total Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department store</td>
<td>49%</td>
<td>18%</td>
<td>17%</td>
<td>16%</td>
<td>100%</td>
</tr>
<tr>
<td>Food chain</td>
<td>31%</td>
<td>13%</td>
<td>43%</td>
<td>13%</td>
<td>100%</td>
</tr>
</tbody>
</table>

equally divided between narrowleaf evergreens and deciduous shrubs and shade or ornamental trees.

Deciduous shrubs were the main item handled by food chains. Broadleaf evergreen plants sales were in second place. A large proportion of the deciduous shrubs marketed by food chains was reported to be prepackaged rose bushes.

The main source of the various types of woody ornamental plants sold in the ten mass market outlets contacted was Tennessee and Texas (Table 2). The major sources for particular types of plant materials were Alabama, Florida, California and Oklahoma. Other states also supplied substantial quantities of woody ornamental plants. Many of these plants, particularly narrowleaf evergreens and deciduous shrubs, are ones which are easily propagated in northern and midwestern states. Nurserymen in these regions likely have a vast potential market if they are able to cater to the needs of mass outlet buyers.

A definite preference for woody ornamental plants in cans or containers was expressed by personnel in the department store chains contacted for interviews. A secondary preference was for ball and burlapped materials. On the other hand, food chain personnel noted a preference for prepackaged woody ornamentals. However, containers were generally stated to be acceptable for broadleaf and narrowleaf evergreens.

Most firms contacted desired delivery to individual sales units. One firm required delivery to a central distribution point. Some type of packaging was required by all firms. A few

Table 2.--Sources of supply of woody ornamental nursery stock for 10 mass marketers, 1967

<table>
<thead>
<tr>
<th>Broadleaf evergreens</th>
<th>Narrowleaf evergreens</th>
<th>Deciduous shrubs</th>
<th>Shade and ornamental trees</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>State</td>
<td>State</td>
<td>State</td>
</tr>
<tr>
<td>Major source</td>
<td>Alabama</td>
<td>Florida</td>
<td>Florida</td>
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<tr>
<td>: Tennesse</td>
<td>Tennessee</td>
<td>Tennessee</td>
<td>Oklahoma</td>
</tr>
<tr>
<td>: Texas</td>
<td>Texas</td>
<td>Texas</td>
<td>Tennessee</td>
</tr>
<tr>
<td>Other sources</td>
<td>California</td>
<td>Colorado</td>
<td>Iowa</td>
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<td>: Florida</td>
<td>Connecticut</td>
<td>Michigan</td>
<td>Alabama</td>
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<td>: New York</td>
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</tbody>
</table>
required special packaging and labeling bearing the selling firm's name or trademark. It appears that mass market merchandising firms remit payments promptly to their suppliers, often within a period of 10 days.

Guidelines to employees with respect to the care of woody ornamentals on the sales lot or floor were provided by most concerns handling such products. In general, food chains reported that watering was the major practice followed in caring for the plants carried in store stock. Department store representatives mentioned that, in addition to watering, practices generally followed included shading, mulching and pest control measures.

Average markups of approximately 40 to 45 percent over their costs were noted as applying to all classes of woody ornamentals. However, the responses to questions on marketing margins were often incomplete; meaningful data concerning markup practices were acquired from only five firms. It may well be that higher or lower margins are followed by the vast number of mass market firms which handle woody ornamental plants.

Of the firms interviewed, all except two utilized grades and standards in purchases of woody ornamental plants. Three of the firms stated that they had company standards. Five firms reported that they used the standards promulgated by the American Association of Nurserymen as criteria in their purchase of woody ornamental plants. The firms which did not purchase by grades and standards insisted on inspecting samples of plants to determine whether or not to buy particular woody ornamentals which they desired or which were offered to them for purchase.

Mass merchandisers spend, on the average, the equivalent of 2 to 5 percent of their total receipts from woody ornamental products on advertising and promotion. Most advertising is in newspapers. Each firm contacted reported 90 percent or more of its advertising budget as designated for this medium. About 5 percent of the total advertising budget was allocated to radio. Very minimal amounts were spent for television and direct mail advertising. In nearly all instances the advertising was oriented to the promotion of special purchases of seasonal woody ornamental plants. In a few stores woody ornamental plants were advertised for holiday sales or as loss leaders designed to build traffic.

Problems and Outlook

A frequently mentioned problem of mass marketers handling woody ornamentals was the lack of trained personnel to care for and merchandise woody ornamental plants in their sales areas. Similarly, many firms desire to have personnel in regional and national offices better trained in the characteristics and nomenclature of woody ornamental plants. In all probability the lack of such executive echelon personnel hinders the development of expanded markets. Increasing freight rate charges and the problem of finding carriers to handle oddlot shipments were also reported as problems. Many stores in a given chain lacked adequate space and facilities for shelving, storing and displaying woody ornamentals, especially those items which were large and bulky.

Several of the firms contacted which have not already done so have begun to undertake training sessions to instruct better their employees with respect to the care of woody ornamental plants on the sales lot and also in the use and care of these plants by potential consumers on their home grounds.

Firms not now doing so are considering the employment of personnel trained in horticulture for their national and regional offices. Some firms are also developing literature and sales aids better to inform their employees and consumers about handling, care, growth habits and other characteristics of woody ornamental plants. Most firms are continuing to look for improved sources of supply, both with respect to quality and quantity.

The interest and progress—present and future—toward finding solutions to these marketing problems of mass marketers portends an expanding market through this type outlet for woody ornamentals. With stronger technical support, improved merchandising and more units handling the product, mass outlets will likely be able to achieve a still larger portion of the market for woody ornamental plants.

BIBLIOGRAPHY